



(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2011 (Unaudited)

All amounts in US dollars unless otherwise specified.

SINCHAO METALS CORP.
(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(In United States dollars unless otherwise specified)

	Notes	June 30, 2011	March 31, 2011	April 1, 2010
Assets				
Current assets				
Cash and cash equivalents		\$ 63,686	\$ 70,630	\$ 1,003,624
Accounts receivable		40,546	32,291	17,471
Due from related parties		-	-	109,166
Prepaid expenses		2,580	6,504	11,766
		106,812	109,425	1,142,027
Non-current assets				
Plant and equipment	5	45,380	49,351	63,949
Exploration and evaluation expenditures	4	19,134,900	18,736,365	29,293,675
		\$19,287,092	\$18,895,141	\$30,499,651
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities		\$ 187,217	\$ 197,279	\$ 409,558
Provision for reclamation and closure costs	6	500,000	500,000	500,000
Loans payable -Due to parent company	9	1,151,257	914,157	1,001,895
Total liabilities		1,838,474	1,611,436	1,911,453
Shareholders' equity		17,448,618	17,283,705	28,588,198
		\$19,287,092	\$18,895,141	\$30,499,651
Nature of Operations and Going Concern	1			
Subsequent Event	13			

Approved on behalf of the board:

"DAVID RAE"
DIRECTOR

"BRYAN MORRIS"
DIRECTOR

See accompanying notes to interim consolidated financial statements.

SINCHAO METALS CORP.
(An Exploration Stage Company)

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (INCOME) LOSS
FOR THREE MONTHS ENDED JUNE 30
(Unaudited)**

(In United States dollars unless otherwise specified)

	Notes	2011	2010
Expenses			
Administrative and management services	\$	109,138	\$ 90,911
Professional fees		42,939	9,728
Director fees		7,776	-
Office rent, salaries and sundry		-	161
Regulatory and transfer agent		935	795
Travel and accommodation		-	1,944
Depreciation		3,971	3,945
Share-based payments	7	23,350	29,870
Loss before other items		188,109	137,354
Other (income) expense			
Foreign exchange (gain) loss		(240)	66,666
Net Loss	\$	187,869	\$ 204,020
Basic and diluted loss per common share			
		(0.00)	(0.00)
Weighted average number of common shares outstanding			
		76,382,928	75,977,800
Other comprehensive (income) loss, net of income taxes			
Net loss	\$	187,869	\$ 204,020
Currency translation adjustment		(317,375)	850,512
Total comprehensive (income) loss	\$	(129,506)	\$ 1,054,532

See accompanying notes to interim consolidated financial statements.

SINCHAO METALS CORP.
(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(In United States dollars unless otherwise specified)

	Notes	Three months Ended June 30, 2011	Three months Ended June 30, 2010	Year Ended March 31, 2011
Common shares				
	7			
Balance at beginning of period		\$ 8,243,140	\$ 8,160,738	\$ 8,160,738
Common shares issued for options exercised		12,057	-	54,469
Fair value of options exercised		8,758	-	27,933
Balance at end of period		\$ 8,263,955	\$ 8,160,738	\$ 8,243,140
Contributed Surplus				
Balance at beginning of period		\$ 5,375,975	\$ 5,264,081	\$ 5,264,081
Share-based compensation expenditure		23,350	31,076	139,827
Fair value of options exercised		(8,758)	-	(27,933)
Balance at end of period		\$ 5,390,567	\$ 5,295,157	\$ 5,375,975
Retained earnings				
Balance at beginning of period		\$ 2,968,833	\$ 15,163,379	\$ 15,163,379
Net loss for the period		(187,869)	(204,030)	(12,194,546)
Balance at end of period		\$ 2,780,964	\$ 14,959,349	\$ 2,968,833
Accumulated other comprehensive loss				
Balance at beginning of period		\$ 695,757	\$ -	\$ -
Cumulative translation adjustment		317,375	(850,512)	695,757
Balance at end of period		\$ 1,013,132	\$ (850,512)	\$ 695,757
Total accumulated comprehensive income		\$ 3,794,096	\$ 14,108,837	\$ 3,664,590
Total shareholders' equity at end of period		\$ 17,448,618	\$ 27,564,732	\$ 17,283,705

See accompanying notes to interim consolidated financial statements.

SINCHAO METALS CORP.
(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30
(Unaudited)
(In United States dollars unless otherwise specified)

	Notes	2011	2010
Operating activities			
Net loss for the period		\$ (187,869)	\$ (204,020)
Share-based payments		23,350	29,870
Unrealized foreign exchange (gain) loss		(6,595)	70,387
Depreciation		3,971	3,945
		(167,143)	(99,818)
Changes in non-cash components of working capital			
Accounts receivable		(8,255)	(1,374)
Prepaid expenses		3,924	22
Accounts payable and accrued liabilities		(10,062)	(135,526)
		(14,393)	(136,878)
Cash used in operating activities		(181,536)	(236,696)
Investing activities			
Expenditures on plant and equipment		-	(422)
Expenditures on mineral properties		(74,565)	(144,928)
Cash used in investing activities		(74,565)	(145,350)
Financing activities			
Common shares issued for cash		12,057	-
Due to parent company		237,100	(583,415)
Cash provided by financing activities		249,157	(583,415)
Net decrease in cash and cash equivalents during the period			
		(6,944)	(965,461)
Cash and cash equivalents, beginning of period		70,630	1,003,624
Cash and cash equivalents, end of period		\$ 63,686	\$ 38,163

See accompanying notes to interim consolidated financial statements.

SINCHAO METALS CORP.
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2011 AND 2010
(In United States dollars unless otherwise specified)

1. NATURE OF OPERATIONS AND GOING CONCERN

Sinchao Metals Corp. (“Sinchao”, or the “Company”) (TSX-V:SMZ) was incorporated on March 15, 2006 under the Business Corporations Act of Alberta and on December 15, 2006 continued under the Business Corporations Act of British Columbia. Sinchao is a publically held company on the TSX Venture Exchange (“TSX-V”). Through its 100% owned subsidiary, Corporacion Minera Sinchao S.A.C. (“Minera Sinchao”), the Company’s principal business is the acquisition, exploration and development of mineral properties located in Peru.

The audited consolidated financial statements of the Company as at and for the year ended March 31, 2011 which were prepared under Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) are available on SEDAR at www.sedar.com.

The Company is in the process of exploring and evaluating its mineral properties in Peru. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties and related deferred costs are entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amount shown as mineral properties and deferred exploration costs represents net costs to date and does not necessarily represent present or future values.

These interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At June 30, 2011, the Company had a working capital deficit of \$1,731,662 (March 31, 2011 - \$1,502,011), incurred a net loss of \$187,869 (June 30, 2010 - \$204,030) and has incurred losses since inception.

These conditions cast significant doubt about the Company’s ability to continue as a going concern. The Company is dependent upon the continuing support of its major shareholder, Andean American Gold Corp., (“Andean”) and/or obtaining additional financing to meet its obligations.

Failure to arrange adequate financing on acceptable terms would have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going-concern and, therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the consolidated financial statements. Such adjustments could be material.

2. BASIS OF PREPARATION

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”). In these interim consolidated financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s first IFRS financial statements and have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. Subject to certain transition elections disclosed in note 14, the company has consistently applied the same accounting policies in its opening IFRS balance sheet at April 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION - continued

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of September 27, 2011, the date the Board of Directors approved the statements and effective as of March 31, 2012. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended March 31, 2011. Throughout these interim consolidated financial statements additional disclosures relating to the year ended March 31, 2011 are provided in accordance with IFRS where material to an understanding of these interim consolidated financial statements, which accordingly do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 14. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity and cash flows at the date of transition reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRS.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated interim financial statements comprise the accounts of the Company and its wholly-owned subsidiary as at and for the three months ended June 30, 2011.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company transactions and balances are eliminated in consolidation.

(b) Functional and presentation currency

These interim consolidated financial statements are presented in US dollars which reflects the currency in which most transactions are made. The Company's functional currency is the Canadian dollar. The functional currency of the Company's Peruvian subsidiary is the United States dollar. Subsequent to the adoption of IFRS, all exchange differences resulting from the translation of foreign currency financial statements are reported in Other Comprehensive Income.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Financial assets

Financial assets are classified into one of the four categories at initial recognition:

(i) Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future, it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit and loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Attributable transaction costs are recognized in profit or loss as incurred.

The Company classifies cash and cash equivalents as loans and receivables.

(ii) Held-to-maturity financial assets

A financial asset is classified as held-to-maturity when the Company has the intent and ability to hold debt securities to maturity. Held-to-maturity assets are recognized initially at fair value plus any directly attributable transaction costs.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses.

(iv) Available for sale ("AFS") financial assets

A financial asset is classified as AFS when it is designated as available for sale or is not classified in any of the previous categories. AFS assets are stated at fair value with any resultant gain or loss recognized in other comprehensive income.

The Company classifies investments in marketable securities as AFS assets.

(d) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other-financial-liabilities.

The Company classifies trade and other payables, accrued liabilities, deposits received and amounts due under line of credit facilities as other-financial-liabilities.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Cash and cash equivalents

Cash and cash equivalents include all cash on hand, bank balances and all highly liquid short-term investments. The Company considers all highly liquid short-term investments with a maturity of three months or less at the date of purchase to be cash equivalents.

(f) Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of each plant and equipment item consists of the acquisition price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Plant and equipment are recorded at cost. Amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Exploration and other equipment	3 years, straight-line
Vehicles	4 years, straight-line
Computers and software	2 years, straight-line
Furniture and fixtures	5 years, straight-line

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

The depreciation method, useful life and residual values are assessed annually.

Assets under construction include plant and equipment in the course of construction for production or for its own use. These are recorded at cost and are not depreciated until construction is completed and the assets are ready for its intended use.

(g) Exploration and evaluation expenditures

The Company's intangible assets are the deferred exploration and evaluation expenses associated with the Company's mineral properties. As such, the Company recognizes as assets all such costs including acquisition costs, field exploration and field supervisory costs relating to specific properties, until those properties are brought into production, at which time they will be amortized on a unit-of-production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge would be made. Expenses incurred during the pre-production period are also deferred and any revenues realized during the period are recorded as a reduction in deferred expenditures.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The recoverability of the carrying value of exploration properties is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain financing or other means to complete development of the properties, and the future profitable production or proceeds from the disposition of the properties.

The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of particular properties.

(h) Impairment of non-financial assets

The Company reviews its tangible and intangible assets for indications of impairment at each reporting date when events or changes in circumstances indicate that the carrying amount may not be recoverable. If indication of impairment exists, the asset's recoverable amount is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the assets belong.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. The recoverable amount is the higher of net selling price and value in use. In determining the value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased by the revised estimate of its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of such impairment loss is recognized into profit or loss.

(i) Provision for reclamation and closure costs

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

The present value of the reclamation liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations by regulatory authorities, which affect the ultimate cost of remediation and reclamation.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(j) Income taxes

Current tax is the tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantively enacted by the balance sheet date. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods. Tax due in Peru is denominated in Peruvian Soles, which is retranslated at each balance sheet date, with gains and losses shown within income for the period.

Full provision is made for deferred taxation on all temporary differences existing at the balance sheet date with certain limited exceptions.

Temporary differences are the difference between the carrying value of an asset or liability and its tax base. The main exceptions to this principle are as follows:

- Tax payable on the future remittance of the past earnings of subsidiaries, associates and jointly controlled entities is provided for except where the Company is able to control the remittance of profits and it is probable that there will be no remittance in the foreseeable future;
- Deferred tax is not provided on the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; and
- Deferred tax assets are recognized only to the extent that it is more likely than not that they will be recovered.
- Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments may relate to assets such as mining rights that, in general, are not eligible for income tax allowances. In such cases, the provision for deferred tax is based on the difference between the carrying value of the asset and its nil income tax base.
- Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.
- Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Share-based compensation

The Company has a share-based compensation plan, which is described in Note 7. The cost of any share-based award is measured by the fair value determined on the grant date using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, expected forfeitures and the risk-free interest rate. The cost is recognized as expense or capitalized, if applicable, over the graded vesting period where the fair value of each tranche is recognized over its respective vesting period.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(l) Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted loss per share. Diluted loss per share is similar to basic loss per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding assuming that options and warrants, with average market prices for the period greater than their exercise prices, were exercised and the proceeds used to repurchase common shares. As the Company has a loss for the period presented, all stock options and warrants are considered to be anti-dilutive.

(m) Critical accounting estimates

The preparation of the interim consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, particularly mineral properties, and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the period. Significant areas that require the use of estimates include the assessment of valuation and impairment of non-financial assets, estimation of the decommissioning liabilities and valuation of share-based compensation. Actual results could differ from those estimates.

The accounting policies set out in these financial statements have been applied consistently to all periods presented in these interim consolidated financial statements and in preparing the opening IFRS statement of financial position as at April 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

(i) Exploration and evaluation assets

The carrying value of the Company's mineral property is reviewed by management quarterly, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, the carrying value will be written down to the estimated fair value. Estimated fair value is normally calculated using discounted cash flow projections.

(ii) Provision for reclamation and closure costs

The provision for reclamation and closure costs is reviewed by management quarterly, or whenever events or circumstances indicate that the Company may have an obligation. Management relies on external reports from engineers to ensure that the estimate is reasonable.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(iii) Stock options and broker warrants

Stock option pricing and broker warrant valuation models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period, or the fair value of the Company's broker warrants at their date of issue.

(n) Accounting standards issued but not yet applied

In November 2009, the IASB issued IFRS 9, Financial Instruments, which becomes effective for annual periods beginning on or after April 1, 2015.

In May 2011, the IASB issued the following standards: IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 11, Joint Arrangements ("IFRS 11"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), IAS 27, Separate Financial Statements ("IAS 27"), IFRS 13, Fair Value Measurement ("IFRS 13"), and amended IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). Each of the new standards is effective for annual periods beginning on or after April 1, 2013 with early adoption permitted.

IFRS 9 – Financial Instruments

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated as fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation – Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for the fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements ("IAS 27"), and IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

The Company has not yet assessed the impact of these new standards or determined if it will adopt the standards early.

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4. EXPLORATION AND EVALUATION EXPENDITURES

(a) Details are as follows:

Balance, April 1, 2010	\$	29,293,675
Additions		170,648
Impairment		(11,465,806)
Foreign exchange loss		737,848
<hr/>		
Balance, at March 31, 2011		18,736,365
Additions		74,565
Foreign exchange loss		323,970
Balance, at June 30, 2011	\$	19,134,900

The Sinchao mineral properties (the "Sinchao Project") are located within the Yanacocha-Hualgayoc mining district in the department of Cajamarca, Northern Peru. The Sinchao Project is comprised of four exploration rights.

During March 2011, the Company conducted a review of its properties and determined that title to the claims of four of the properties comprising the Sinchao Project were not properly transferred to a subsidiary of Andean, the party that purported to transfer the claims to Sinchao. As a result neither Andean nor Sinchao holds any proprietary interest in the claims. These claims contain approximately 40% of the inferred resource previously disclosed by Sinchao. Sinchao has been striving to reach an agreement with the parties that Andean originally dealt with in order to remedy the deficiencies in title, however it has been unable to reach such an agreement. Sinchao is therefore not optimistic that it will be able to remedy the deficiencies in title, and during the year ended March 31, 2011 has written the project down by \$11,465,806 to management's best estimate of its fair value, which takes into account the proportion of resources no longer accessible, and the market value of the Company as a whole.

In addition to the four properties mentioned above, Sinchao has also determined that six other properties acquired at the time of Sinchao's formation had previously lapsed and thus are not held by Sinchao. These properties are not material to Sinchao's operations and were also written off in the year ended March 31, 2011.

(b) The Company paid IGV tax on the exploration and development of the Sinchao property. Upon commencing production the Company can apply to have the IGV paid on the property refunded. Once received, the payments will be offset against the deferred costs.

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5. PLANT AND EQUIPMENT

Details are as follows:

	Exploration and other equipment	Office equipment and others	Total
Cost			
At April 1, 2010	\$ 71,504	\$ 28,330	\$ 99,834
Capital expenditures	1,209	-	1,209
Acquisitions	-	-	-
At March 31, 2011	72,713	28,330	101,043
Capital expenditures	-	-	-
Acquisitions	-	-	-
At June 30, 2011	\$ 72,713	\$ 28,330	\$ 101,043
Accumulated depreciation			
At April 1, 2010	\$ (28,112)	\$ (7,773)	\$ (35,885)
Depreciation	(12,216)	(3,591)	(15,807)
At March 31, 2011	(40,328)	(11,364)	(51,692)
Depreciation	(3,072)	(899)	(3,971)
At June 30, 2011	\$ (43,400)	\$ (12,263)	\$ (55,663)
Carrying amounts			
At April 1, 2010	\$ 43,392	\$ 20,557	\$ 63,949
At March 31, 2011	\$ 32,385	\$ 16,966	\$ 49,351
At June 30, 2011	\$ 29,313	\$ 16,067	\$ 45,380

6. PROVISION FOR RECLAMATION AND CLOSURE COSTS

All of the Company's operations are subject to reclamation and closure requirements. Although the ultimate amount of site restoration costs is uncertain, on a regular basis the Company monitors these costs and together with third party engineers prepares internal estimates to evaluate their requirements. The estimates prepared by management are then reconciled with the requirements of the Peruvian mining regulations.

At June 30, 2011, March 31, 2011 and April 1, 2010, the provision for reclamation costs amounted to \$500,000. Reclamation on certain concessions is expected to take place within the next 12 months, dependent on funding being available, and therefore is shown on an undiscounted basis.

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7. SHARE CAPITAL

(a) Authorized

The Company has authorized an unlimited number of common shares, with no par value.

(b) For the quarter ended June 30, 2011 the Company issued;

- i. 58,333 common shares for options exercised at CAD\$0.20 per share.

For the year ended March 31, 2011 the Company issued;

- i. 350,000 common shares for options exercised at CAD\$0.15 – CAD\$0.17 per share.

(c) Escrowed shares

Pursuant to an Escrow Agreement dated September 15, 2006, 36,325,000 common shares, held by the former shareholders of the Company, were deposited in escrow. In accordance with the Escrow Agreement, an initial release of 10% thereof occurred on the initial trading date, December 21, 2006. All common shares held in escrow at March 31, 2010, were released June 21, 2010.

(d) Warrants

The Company had no outstanding warrants at June 30, 2011, March 31, 2011 and April 1, 2010.

(e) Stock Options

The Company has established a Stock Option Plan for directors, officers, employees and consultants. The maximum number of common shares that may be reserved under the Plan may not exceed 10% of the outstanding shares at the time of grant. Options granted under the Plan generally have a term of five years and vest over varying periods ranging from 0-24 months. The exercise price of each option equals or exceeds the market price of the Company's common shares on the date of the grant.

A summary of stock option activity for the three months ended June 30, 2011 is as follows:

	Number	Weighted Average Exercise Price (CAD\$)
Options outstanding as at April 1, 2010	2,855,000	0.17
Granted	1,070,000	0.20
Exercised	(350,000)	0.15
Options outstanding as at March 31, 2011	3,575,000	0.18
Exercised	(58,333)	0.20
Expired and forfeited	(1,041,667)	0.17
Options outstanding as at June 30, 2011	2,475,000	0.19

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7. SHARE CAPITAL - continued

The following table summarizes information about the stock options outstanding at June 30, 2011:

Exercise Price (CAD\$)	Options Outstanding		Options Exercisable	
	Number of Options	Fair Value (CAD\$)	Weighted Average Life Remaining (Years)	Number Exercisable
0.66	85,000	54,400	1.25	85,000
0.15	150,000	18,000	2.25	150,000
0.15	900,000	63,000	2.25	900,000
0.17	620,000	74,400	3.40	620,000
0.19	100,000	14,000	4.00	100,000
0.20	620,000	93,000	4.25	465,000
	2,475,000		3.00	2,320,000

(f) Share-based Payments

The Company accounts for share-based payments, including stock options and warrants, using the fair value based method as prescribed by CICA Handbook Section 3870. Under this method, the fair value of stock options and warrants at the date of grant is amortized over the vesting period and the offsetting credit is recorded as an increase in contributed surplus. During the three months ended June 30, 2011, the Company recorded share-based payments of \$23,350 (2010 - \$31,076) of which \$Nil (2010 - \$1,206) was capitalized to mineral properties.

The fair value of each stock option granted has been estimated as of the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions at June 30, 2010:

Risk free interest rate (%)	2.00 - 2.42
Average expected life (years)	5.00
Average expected volatility (%)	95.10 - 95.13
Estimated Forfeiture rate (%)	-
Dividend yield (%)	-
Fair value per option (\$)	0.14 - 0.15

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8. COMPENSATION OF KEY MANAGEMENT

	3 months ended June 30, 2011	3 months ended June 30, 2010
Salaries, consulting fees and director fees	\$ 26,179	\$ -
Share-based payments	9,415	22,942
Total compensation of key management	\$ 35,594	\$ 22,942

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the periods ended June 30, 2011 and 2010.

9. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties are as follows:

Related Party	Nature of transactions	
Andean American Gold Corp (i)	Office rent and administrative expenses	
Invicta Mining Corp (ii)	Office rent	
(i) Parent Company		
(ii) Subsidiary of Parent Company		
	June 30, 2011	March 31, 2011
Due to Andean American Gold Corp	\$ 899,897	\$ 735,309
Due to Invicta Mining Corp	251,360	178,848
	\$ 1,151,257	\$ 914,157

(b) During the three months ended June 30, 2011, the Company accrued or paid to Andean and its subsidiaries \$108,864 (2010 - \$91,298) for administrative services.

(c) During the three months ended June 30, 2011, the Andean and its subsidiaries advanced \$128,236 to the Company (2010 - \$112,844).

(d) During the three months ended June 30, 2011, the Company repaid \$Nil to Andean and its subsidiaries and in (2010 - \$787,557).

The foregoing related party transactions are recorded at their exchange amount, which is the amount of consideration paid or received as established and agreed to between the related parties.

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10. GEOGRAPHICAL INFORMATION

The Company's only activities are the exploration of the Sinchao Project in Peru. The principal assets in Canada consist of cash and cash equivalents and accounts receivable. The Company incurs general and administrative costs in Canada.

	June 30, 2011		March 31, 2011	
	Canada	Peru	Canada	Peru
Cash and cash equivalents	\$ 54,378	\$ 9,308	\$ 48,285	\$ 22,345
Accounts receivable	30,232	10,314	22,178	10,113
Prepays	-	2,580	-	6,504
Property, plant and equipment	-	45,380	-	49,351
Mineral property	-	19,134,900	-	18,736,365
	\$ 84,610	\$19,202,482	\$ 70,463	\$18,824,678

11. LOSS PER SHARE

For the purpose of determining loss per share, the basic and diluted weighted average number of common shares outstanding for the three months ended June 30, 2011 was 76,382,928 (2010 – 75,977,800). The determination of the weighted average number of common shares outstanding for the calculation of diluted loss per share does not include the effect of outstanding warrants and options since to do so would reduce the loss per share and would, therefore, be anti-dilutive.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments are classified into the following categories and the following table shows their carrying values.

	June 30, 2011	March 31, 2011	April 1, 2010
Held for trading (i)	\$ 63,686	\$ 70,630	\$ 1,003,624
Loans and receivables	40,546	32,291	17,471
Financial liabilities amortized at cost	187,217	197,279	409,558
Loans payable	1,151,257	914,157	1,001,895
(i) Consists of:			
Cash and cash equivalents - US Currency	9,308	30,561	22,515
Cash and cash equivalents - CDN Currency	54,378	40,069	981,109

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12. FINANCIAL INSTRUMENTS - continued

The Company is exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

(a) Currency risk

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts receivable and accounts payable, some of which are denominated in US dollars. The Company is exposed to financial gain or loss as a result of foreign exchange movements by the Canadian dollar against the US dollar.

In addition to costs denominated in US dollars, the Company also incurs certain general and administrative costs denominated in Canadian dollars. Accordingly, the Company's general and administrative costs are affected by changes in the foreign exchange rate of the Canadian dollar against the US dollar. The Company has elected not to hedge its exposure to fluctuations in the Canadian dollar by buying fixed rate forward contracts in Canadian dollars.

The Company was exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

	June 30, 2011 (CDN\$)	March 31, 2011 (CDN\$)	April 1, 2010 (CDN\$)
Cash and cash equivalents	52,448	38,851	22,871
Accounts receivable	29,159	31,309	5,036
Accounts payable and accrued liabilities	(48,463)	(568,651)	(709,398)

Based on the net exposure in the preceding table as at June 30, 2011, and assuming that all other variables remain constant, a 10% appreciation of depreciation of the Canadian dollar against the US dollar would result in an increase/decrease of \$3,300 in the Company's net income (loss).

(b) Credit risk

The Company's cash and cash equivalents are held in Canadian financial institutions in Canada and Peru. The Company does not have any asset-backed commercial paper in its cash and cash equivalents. The Company's amount receivable consists primarily of goods and services tax due from the federal government of Canada. The Company's maximum credit risk exposure is considered to be represented by the amounts shown in the balance sheet.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk of fluctuations in interest rates is not significant to the Company.

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12. FINANCIAL INSTRUMENTS - continued

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period, and may be less than the book value in the financial statements due to the credit risk of the Company.

At June 30, 2011 the Company did not have any commitments.

Additional information relating to liquidity risk is disclosed in note 1

(e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of base and precious metals. At this time the Company does not generate sales and so financial results are not impacted by commodity prices. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company.

13. SUBSEQUENT EVENT

On August 17, 2011 the Company announced that it has agreed to issue to Andean a total of 8,888,889 common shares at a deemed price of CAD\$0.09 per share in settlement of CAD\$800,000 of indebtedness owing by the Company to Andean.

In addition, Andean has agreed to a private placement in the Company of a further 2,222,222 units at a price of CAD\$0.09 per unit for proceeds of CAD\$200,000. Each unit will be comprised of one common share and one share purchase warrant, such warrant entitling the holder to acquire a further common share of the Company at a price of CAD\$0.12 for a term of five (5) years.

Closing of the private placement and the debt settlement are subject to the acceptance of the TSX Venture Exchange and also remain subject to ratification by the shareholders of the Company at the annual general meeting on September 15, 2011, which was held and the transaction approved.

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14. TRANSITION TO IFRS

The accounting policies as set out in Note 3 have been applied in preparing the interim consolidated financial statements for the three months ended June 30, 2011, the comparative information presented for both the three months ended June 30, 2010 and year ended March 31, 2011 and in the preparation of an opening IFRS statement of financial position as at April 1, 2010 (the date of transition to IFRS).

The Company has adopted IFRS on April 1, 2011 with a transition date of April 1, 2010. Under IFRS 1 First-time Adoption of International Financial Reporting Standards, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings. IFRS 1 provides for certain exemptions to be applied on transition to IFRS. The Company has elected to apply the following exemptions which are considered significant to the Company:

Business Combinations

IFRS 1 indicated that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply the requirements of IFRS 3, Business Combinations prospectively from April 1, 2010. This election did not require any restatement of balances under the Company's transition to IFRS.

Cumulative translation adjustment

Cumulative translation differences for all operations with a functional currency other than the Canadian dollar may be deemed zero at transition.

Share-based payment transactions

IFRS 1 permits the Company not to have to apply IFRS 2, Share-based Payments, to equity instruments that had fully vested by the Transition Date. Adopting this standard did not require any restatement of balances under the Company's transition to IFRS.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in its financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out below.

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14. TRANSITION TO IFRS - continued

Reconciliation of Assets, Liabilities and Equity as at April 1, 2010

	Canadian GAAP CAD	FX Adjustment	Canadian GAAP USD	Effect of transition to IFRS	IFRS
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,019,481	\$ (15,857)	\$ 1,003,624	\$ -	\$ 1,003,624
Accounts receivable	17,747	(276)	17,471	-	17,471
Due from related party	110,891	(1,725)	109,166	-	109,166
Prepaid expense	11,952	(186)	11,766	-	11,766
	1,160,071	(18,044)	1,142,027	-	1,142,027
Non-current assets					
Plant and equipment	71,609	(7,660)	63,949	-	63,949
Exploration and evaluation assets	31,231,617	(483,005)	30,748,612	(1,454,937)	29,293,675
TOTAL ASSETS	\$ 32,463,297	\$ (508,709)	\$ 31,954,588	\$ (1,454,937)	\$ 30,499,651
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 416,028	\$ (6,470)	\$ 409,558	\$ -	\$ 409,558
Provision for reclamation and closure costs	507,900	(7,900)	500,000	-	500,000
Loans payable - due to parent company	1,017,725	(15,830)	1,001,895	-	1,001,895
	1,941,653	(30,200)	1,911,453	-	1,911,453
Non-current liabilities					
Deferred tax liabilities	460,413	(22,092)	438,321	(438,321)	-
	460,413	(22,092)	438,321	(438,321)	-
TOTAL LIABILITIES	2,402,066	(52,292)	2,349,774	(438,321)	1,911,453
SHAREHOLDERS' EQUITY					
Share capital	8,289,678	(128,940)	8,160,738	-	8,160,738
Contributed surplus	5,368,907	(93,663)	5,275,244	(11,163)	5,264,081
Retained equity	16,402,646	(233,814)	16,168,832	(1,005,453)	15,163,379
TOTAL EQUITY	30,061,231	(456,417)	29,604,814	(1,016,616)	28,588,198
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 32,463,297	\$ (508,709)	\$ 31,954,588	\$ (1,454,937)	\$ 30,499,651

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14. TRANSITION TO IFRS - continued

Reconciliation of Assets, Liabilities and Equity as at June 30, 2010

	Canadian GAAP CAD	FX Adjustment	Canadian GAAP USD	Effect of transition to IFRS	IFRS
ASSETS					
Current assets					
Cash and cash equivalents	\$ 40,618	\$ (2,465)	\$ 38,153	\$ -	\$ 38,153
Accounts receivable	20,062	(1,217)	18,845	-	18,845
Due from related party	61,846	(3,753)	58,093	-	58,093
Prepaid expense	12,503	(759)	11,744	-	11,744
	135,029	(8,194)	126,835	-	126,835
Non-current assets					
Plant and equipment	68,570	(8,144)	60,426	-	60,426
Exploration and evaluation assets	31,355,370	(531,011)	30,824,359	(2,305,449)	28,518,910
TOTAL ASSETS	\$ 31,558,969	\$ (547,349)	\$ 31,011,620	\$ (2,305,449)	\$ 28,706,171
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 291,733	\$ (17,701)	\$ 274,032	\$ -	\$ 274,032
Provision for reclamation and closure costs	532,300	(32,300)	500,000	-	500,000
Loans payable - due to parent company	391,141	(23,734)	367,407	-	367,407
	1,215,174	(73,735)	1,141,439	-	1,141,439
Non-current liabilities					
Deferred tax liabilities	460,413	(22,092)	438,321	(438,321)	-
	460,413	(22,092)	438,321	(438,321)	-
TOTAL LIABILITIES	1,675,587	(95,827)	1,579,760	(438,321)	1,141,439
SHAREHOLDERS' EQUITY					
Share capital	8,289,678	(128,940)	8,160,738	-	8,160,738
Contributed surplus	5,400,862	(94,542)	5,306,320	(11,163)	5,295,157
	13,690,540	(223,482)	13,467,058	(11,163)	13,455,895
Retained equity	16,192,842	(228,040)	15,964,802	(1,005,453)	14,959,349
Accumulated other comprehensive loss	-	-	-	(850,512)	(850,512)
TOTAL EQUITY	29,883,382	(451,522)	29,431,860	(1,867,128)	27,564,732
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 31,558,969	\$ (547,349)	\$ 31,011,620	\$ (2,305,449)	\$ 28,706,171

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14. TRANSITION TO IFRS - continued

Reconciliation of Assets, Liabilities and Equity as at March 31, 2011

	Canadian GAAP CAD	FX Adjustment	Canadian GAAP USD	Effect of transition to IFRS	IFRS
ASSETS					
Current assets					
Cash and cash equivalents	\$ 68,483	\$ 2,147	\$ 70,630	\$ -	\$ 70,630
Accounts receivable	31,309	982	32,291	-	32,291
Due from related party	-	-	-	-	-
Prepaid expense	6,306	198	6,504	-	6,504
	<u>106,098</u>	<u>3,327</u>	<u>109,425</u>	<u>-</u>	<u>109,425</u>
Non-current assets					
Plant and equipment	60,179	(10,828)	49,351	-	49,351
Exploration and evaluation assets	20,065,336	(2,024,728)	18,040,608	695,757	18,736,365
	<u>20,231,613</u>	<u>(2,032,229)</u>	<u>18,199,384</u>	<u>695,757</u>	<u>18,895,141</u>
TOTAL ASSETS	\$ 20,231,613	\$ (2,032,229)	\$ 18,199,384	\$ 695,757	\$ 18,895,141
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 191,282	\$ 5,997	\$ 197,279	\$ -	\$ 197,279
Provision for reclamation and closure costs	484,800	15,200	500,000	-	500,000
Loans payable - due to parent company	886,367	27,790	914,157	-	914,157
	<u>1,562,449</u>	<u>48,987</u>	<u>1,611,436</u>	<u>-</u>	<u>1,611,436</u>
TOTAL LIABILITIES	1,562,449	48,987	1,611,436	-	1,611,436
SHAREHOLDERS' EQUITY					
Share capital	8,371,510	(128,370)	8,243,140	-	8,243,140
Contributed surplus	5,483,107	(95,969)	5,387,138	(11,163)	5,375,975
	<u>13,854,617</u>	<u>(224,339)</u>	<u>13,630,278</u>	<u>(11,163)</u>	<u>13,619,115</u>
Retained equity	4,814,547	(1,856,877)	2,957,670	11,163	2,968,833
Accumulated other comprehensive loss	-	-	-	695,757	695,757
	<u>18,669,164</u>	<u>(2,081,216)</u>	<u>16,587,948</u>	<u>695,757</u>	<u>17,283,705</u>
TOTAL EQUITY	18,669,164	(2,081,216)	16,587,948	695,757	17,283,705
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 20,231,613	\$ (2,032,229)	\$ 18,199,384	\$ 695,757	\$ 18,895,141

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14. TRANSITION TO IFRS - continued

Reconciliation of Loss and Comprehensive Loss

	Three months ended June 30, 2010					
	Canadian GAAP CAD	FX Adjustment	Canadian GAAP USD	Effect of transition to IFRS		
					IFRS	
Expenses						
General and administrative expenses	\$ 106,435	(2,886)	\$ 103,549	\$ -	\$ 103,549	
Depreciation	4,101	(156)	3,945	-	3,945	
Share-based payments	30,715	(845)	29,870	-	29,870	
Loss before other items	141,251	(3,887)	137,364	-	137,364	
Other income (expense)						
Foreign exchange (gain) loss	68,553	(1,887)	66,666	-	66,666	
Net Loss	\$ 209,804	\$ (5,774)	\$ 204,030	\$ -	\$ 204,030	
Basic and diluted loss per common share						
	\$ (0.00)		\$ (0.00)		\$ (0.00)	
Weighted average number of common shares outstanding						
	75,977,800		75,977,800		75,977,800	
Other comprehensive loss, net of income taxes						
Net loss	209,804	(5,774)	\$ 204,030	\$ -	\$ 204,030	
Currency translation adjustment	-	-	-	850,512	850,512	
Total comprehensive loss	\$ 209,804	-\$ 5,774	\$ 204,030	\$ 850,512	\$ 1,054,542	

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14. TRANSITION TO IFRS - continued

Reconciliation of Loss and Comprehensive Loss

	Year ended March 31, 2011				
	Canadian GAAP	FX Adjustment	Canadian GAAP	Effect of transition	IFRS
	CAD		USD	to IFRS	
Expenses					
General and administrative expenses	\$ 568,727	(10,300)	\$ 558,427	\$ -	\$ 558,427
Depreciation	16,041	(266)	15,775	-	15,775
Share-based payments	127,935	(1,848)	126,087	-	126,087
Loss before other items			700,289	-	700,289
Other (income) expense					
Write-off of exploration properties	11,306,431	159,375	11,465,806	-	11,465,806
Interest expense	860	11	871	-	871
Deferred income tax recovery	460,413	(935,261)	(474,848)	474,848	-
Foreign exchange (gain) loss	28,518	(938)	27,580	-	27,580
Net Loss	\$ 11,796,222	\$ (776,813)	\$ 11,719,698	\$ 474,848	\$ 12,194,546
Basic and diluted loss per common share					
	\$ (0.16)		\$ (0.15)	\$ (0.01)	\$ (0.16)
Weighted average number of common shares outstanding					
	76,027,800		76,027,800	76,027,800	76,027,800
Other comprehensive loss (income), net of income taxes					
Net loss	\$ 11,796,222	\$ (776,813)	\$ 11,719,698	\$ 474,848	\$ 12,194,546
Currency translation adjustment	-	-	-	(695,757)	(695,757)
Total comprehensive loss (income)	\$ 11,796,222	-\$ 776,813	\$ 11,719,698	\$ (220,909)	\$ 11,498,789

SINCHAO METALS CORP.
(An Exploration Stage Company)

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2011 AND 2010
(In United States dollars unless otherwise specified)**

14. TRANSITION TO IFRS - continued

Explanatory Notes

a) Exploration and evaluation assets and deferred taxation

IFRS April 1, 2010 opening balance sheet ("OBS"): Under Canadian GAAP, the Company was required to record a deferred income tax liability on costs incurred on the exploration and evaluation assets that had no tax basis. Under IFRS these deferred income tax liabilities are not required and are therefore reversed from exploration and evaluation assets and deferred income tax liability. This adjustment impacted April 1, 2010, June 30, 2010 and March 31, 2011.

b) Functional currency

Under IFRS, the framework used to determine the functional currency is similar to that used to determine the currency of measurement under Canadian GAAP; however, under IAS 21, *The effects of Changes in Foreign Exchange Rates*, the indicators of determining the functional currency are broken down into primary and secondary indicators when determining functional currency. Primary indicators are closely linked to the primary economic environment in which the entity operates and are given more weight. Secondary indicators provide supporting evidence to determine an entity's functional currency. As a result of this difference, management has concluded that the most appropriate functional currency of the parent company and substantially all of its subsidiaries is the US dollar. Historically, the currency of measurement of the company was the Canadian dollar and all subsidiaries were considered integrated operations and accordingly, their currency of measurement was the Canadian dollar.

Accordingly, all non-monetary assets and liabilities have been converted at their respective historical dates. In addition, in accordance with IFRS 1, the company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations and the effects of the different functional currency described above, to zero at the date of transition to IFRS.

c) Warrants

IFRS April 1, 2010 OBS: Under Canadian GAAP, the Company was required to record a fair value on warrants issued as part of a unit in a private placement which was recorded in contributed surplus until such time as the warrant was exercised and then moved to share capital. Under IFRS warrants that expire are required to be removed from contributed surplus into share capital. This adjustment impacted April 1, 2010, June 30, 2010 and March 31, 2011.

d) Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company.

General information

Directors

Dieter Luescher
Ernesto Maurer
Bryan Morris
David Rae, Chairman & Chief Executive Officer

Company Chief Financial Officer

Bruce Ramsden, Vice President, Finance Chief Financial Officer

Company Secretary

Rocio Echegaray, Corporate Secretary

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